

Message Text

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ORIGIN COM-04

INFO OCT-01 AF-10 ARA-14 EUR-12 EA-12 NEA-10 ISO-00
EB-08 IO-14 AID-05 CIAE-00 FRB-01 INR-10 NSAE-00
ICA-20 TRSE-00 XMB-04 OPIC-06 SP-02 LAB-04 SIL-01
OMB-01 NSC-05 SS-15 STR-07 CEA-01 AGRE-00 /167 R

DRAFTED BY COM:OIER:TSOBOTTA:MCM
APPROVED BY EB/ITP:SAHMAD
COM:OIER:FLHALL

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R 070028Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA
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AMEMBASSY JIDDA
AMEMBASSY TEL AVIV
AMEMBASSY LAGOS
AMEMBASSY NEW DELHI
AMEMBASSY TOKYO
AMEMBASSY SEOUL
AMCONSUL HONG KONG
AMEMBASSY TAIPEI
AMEMBASSY MANILA
AMEMBASSY JAKARTA
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AMEMBASSY CANBERRA

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E.O. 11652: N/A

TAGS: ETRD, XG, XM, XF, NI, XC, XE, AS

SUBJECT: U.S. FOREIGN TRADE REPORT FOR MAY 1978

MONTH OF MAY

ALTHOUGH THE MAY MERCHANDISE TRADE BALANCE REMAINED IN DEFICIT FOR THE 24TH MONTH IN A ROW, THE IMBALANCE WAS SOMEWHAT REDUCED FROM THE APRIL LEVEL AS EXPORTS INCREASED WHILE IMPORTS DECLINED. EXPORTS ADVANCED BY 1 PERCENT OVER LAST MONTH'S TOTAL TO A RECORD 11,754 MILLION DOLLARS. THIS WAS THE THIRD CONSECUTIVE MONTH OF GROWTH IN EXPORTS. FOLLOWING A LARGE INCREASE IN APRIL, F.A.S. IMPORTS FELL BY 3.5 PERCENT TO 13,992 MILLION DOLLARS (14,894 MILLION DOLLARS C.I.F.). AS A RESULT, THE F.A.S. TRADE DEFICIT WAS 2,238 MILLION DOLLARS (3,140 MILLION DOLLARS C.I.F.).

MAY EXPORTS INCLUDED SUBSTANTIAL INCREASES IN SHIPMENTS OF SOYBEANS AND CORN. BOTH THE VOLUME AND THE UNIT VALUES OF THESE COMMODITIES ROSE, HELPING TO BOOST AGRICULTURAL SHIPMENTS TO A RECORD 2.8 BILLION DOLLARS. COAL EXPORTS EXPANDED SHARPLY AGAIN AND RETURNED TO A NEAR-NORMAL MONTHLY VALUE FOLLOWING THE DISRUPTION IN SHIPMENTS CAUSED

BY THE MINERS' STRIKE. PARTIALLY OFFSETTING THESE INCREASES WERE LARGE DECLINES IN NONMONETARY GOLD EXPORTS AND AIRCRAFT DELIVERIES, BOTH OF WHICH HAD EXPANDED

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SHARPLY IN APRIL.

THERE WERE WIDESPREAD DECLINES IN IMPORTS, BUT THE LARGEST FALLOFFS IN VALUE WERE IN STEEL AND AUTOMOBILES. AFTER SURGING IN THE FIRST FOUR MONTHS, STEEL RECEIPTS FELL BY 41 PERCENT IN MAY, THE FIRST MONTH IN WHICH THE TRIGGER PRICE SYSTEM FOR MONITORING IMPORT PRICES WAS FULLY IMPLEMENTED. OTHER SIZABLE DECLINES WERE RECORDED FOR IMPORTS OF COFFEE, RADIOACTIVE MATERIALS, TELECOMMUNICATIONS EQUIPMENT, ALCOHOLIC BEVERAGES, ENGINES, AND COPPER. IN CONTRAST, PETROLEUM PURCHASES ROSE TO 3,322 MILLION DOLLARS, THE HIGHEST MONTHLY VALUE SO FAR THIS YEAR.

YEAR-TO-DATE

FOR THE FIRST FIVE MONTHS, EXPORTS WERE 130.2 BILLION DOLLARS AT AN ANNUAL RATE, 8 PERCENT ABOVE THEIR JANUARY-MAY 1977 LEVEL. IMPORTS, AT 165.6 BILLION DOLLARS F.A.S. (176.3 BILLION DOLLARS C.I.F.), WERE 18 PERCENT HIGHER THAN A YEAR EARLIER. THE F.A.S. TRADE DEFICIT WAS AT AN ANNUAL RATE OF 35.4 BILLION DOLLARS (46.1 BILLION DOLLARS

C.I.F.) COMPARED TO A 19.8 BILLION DOLLAR RATE IN THE FIRST FIVE MONTHS OF LAST YEAR AND 26.5 BILLION DOLLARS FOR ALL OF 1977.

EXPORTS OF NONFARM PRODUCTS GREW BY 7 PERCENT IN JANUARY-

MAY. MACHINERY SHIPMENTS ROSE ON THE STRENGTH OF GREATER SALES OF CONSTRUCTION MACHINERY AND COMPUTERS AND OTHER BUSINESS MACHINES. AUTOMOTIVE DELIVERIES EXPANDED, DESPITE DECLINES IN SHIPMENTS OF PASSENGER CARS TO CANADA, AS EXPORTS OF TRUCKS AND AUTO PARTS ROSE STRONGLY. CHEMICAL SALES ALSO ADVANCED SHARPLY, BUT DELIVERIES OF CIVILIAN AIRCRAFT AND STEEL CONTINUED TO DROP. COAL EXPORTS IN THE FIRST FIVE MONTHS REMAINED 500 MILLION UNCLASSIFIED

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DOLLARS LOWER THAN IN THE SAME MONTHS LAST YEAR, DESPITE A PICKUP IN APRIL AND MAY SHIPMENTS. FARM SALES ROSE BY 10 PERCENT IN VALUE, MAINLY BECAUSE OF A HUGE JUMP IN THE QUANTITY OF WHEAT DELIVERIES, THOUGH AT LOWER AVERAGE PRICES THAN LAST YEAR, AND SMALLER INCREASES IN EXPORTS OF OTHER GRAINS AND ANIMAL FEEDS. BECAUSE OF LOWER PRICES, THE VALUE OF SOYBEAN EXPORTS DROPPED SUBSTANTIALLY, DESPITE A SIZABLE INCREASE IN QUANTITY.

THE SHARPLY HIGHER LEVEL OF IMPORTS SO FAR THIS YEAR RESULTED FROM WIDESPREAD, AND FREQUENTLY LARGE, INCREASES IN MOST INDIVIDUAL COMMODITIES WITH THE NOTABLE EXCEPTION OF PETROLEUM. VALUED AT 16.0 BILLION DOLLARS (NOT INCLUDING 1.2 BILLION DOLLARS OF CRUDE OIL IMPORTED INTO THE VIRGIN ISLANDS FOR CONSUMPTION IN THE UNITED STATES), PETROLEUM PURCHASES WERE 9 PERCENT LOWER THAN A YEAR AGO AS A RESULT OF A 10 PERCENT DECLINE IN VOLUME AND ONLY A ONE PERCENT INCREASE IN AVERAGE PRICE. THE DROP IN QUANTITY WAS LARGELY ACCOUNTED FOR BY A SUBSTANTIAL DECUMULATION IN STOCKS, AS INCREASED DOMESTIC OIL PRODUCTION WAS OFFSET BY A SIMILAR RISE IN CONSUMPTION.

IMPORTS OF INDUSTRIAL SUPPLIES OTHER THAN PETROLEUM ADVANCED STRONGLY OVER LAST YEAR'S LEVEL, LED BY SHARPLY HIGHER RECEIPTS OF STEEL, WHICH SURGED IN THE FIRST FOUR MONTHS AS PURCHASES WERE ACCELERATED PRIOR TO THE IMPOSITION OF THE TRIGGER PRICING SYSTEM. IMPORTS OF NONFERROUS METALS ALSO SURGED IN VALUE THIS YEAR, WHILE SIZABLE BUT SOMEWHAT SMALLER INCREASES WERE RECORDED FOR CHEMICALS AND LUMBER.

AMONG MANUFACTURED IMPORTS, RECEIPTS OF FOREIGN AUTOS REACHED NEW RECORD LEVELS, SPURRED BY INVENTORY BUILDING UNCLASSIFIED

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AND HIGHER PRICES. MACHINERY ARRIVALS WERE OVER 2
BILLION DOLLARS ABOVE LAST YEAR AND TRUCKS WERE HALF A
BILLION HIGHER. FOOD IMPORTS ROSE MODESTLY IN
COMPARISON, AS LARGE DECLINES IN COFFEE AND SUGAR
RECEIPTS PARTIALLY OFFSET INCREASED PURCHASES OF OTHER
COMMODITIES, ESPECIALLY MEAT AND ALCOHOLIC BEVERAGES. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, REPORTS, TRADE BALANCE, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 07 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE171039
Document Source: CORE
Document Unique ID: 00
Drafter: OIER:TSOBOTTA:MCM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780279-0048
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780785/aaaactqn.tel
Line Count: 181
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 61546479-c288-dd11-92da-001cc4696bcc
Office: ORIGIN COM
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2085484
Secure: OPEN
Status: NATIVE
Subject: U.S. FOREIGN TRADE REPORT FOR MAY 1978 MONTH OF MAY ALTHOUGH THE MAY MERCHANDISE TRADE BALANCE REMAINE
TAGS: ETRD, XG, XM, XF, NI, XC, XE, AS
To: OTTAWA MEXICO MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/61546479-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014